

AN ACT

relating to the administration, collection, and remittance of the cigarette tax; requiring a permit.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 154.001, Tax Code, is amended by amending Subdivisions (1), (7), (9), (10), (11), (12), (14), (15), (17), and (18) and adding Subdivisions (7-a) and (17-a) to read as follows:

(1) "Bonded agent" means a person in this state who is a third-party ~~[an]~~ agent of a manufacturer ~~[person]~~ outside this state and who receives cigarettes in interstate commerce and stores the cigarettes for distribution or delivery to distributors under orders from the manufacturer ~~[person outside this state]~~.

(7) "Distributor" means a person who:

(A) is authorized to purchase for the purpose of making a first sale in this state cigarettes in unstamped packages from manufacturers who distribute cigarettes in this state and to stamp cigarette packages;

(B) ships, transports, imports into this state, acquires, or possesses cigarettes and makes a first sale of the cigarettes in this state;

(C) manufactures or produces cigarettes; or

(D) is an importer ~~[or import broker]~~.

(7-a) "Engage in business" means, in relation to

1 cigarettes, engaging by a person, either directly or through a  
2 representative, in any of the following activities:

3 (A) selling cigarettes in or into this state;

4 (B) using a warehouse or another location to  
5 store cigarettes; or

6 (C) otherwise conducting through a physical  
7 presence cigarette-related business in this state.

8 (9) "First sale" means, except as otherwise provided  
9 by this chapter:

10 (A) the first transfer of possession in  
11 connection with a purchase, sale, or any exchange for value of  
12 cigarettes in or into this state, which:

13 (i) includes the sale of cigarettes by:

14 (a) a distributor in or outside this  
15 state to a distributor, wholesaler, or retailer in this state; and

16 (b) a manufacturer in this state who  
17 transfers the cigarettes in this state; and

18 (ii) does not include:

19 (a) the sale of cigarettes by a  
20 manufacturer outside this state to a distributor in this state; or

21 (b) the transfer of cigarettes from a  
22 manufacturer outside this state to a bonded agent in this state [~~in~~  
23 ~~intrastate commerce~~];

24 (B) the first use or consumption of cigarettes in  
25 this state; or

26 (C) the loss of cigarettes in this state whether  
27 through negligence, theft, or other unaccountable loss.

1           (10) "Importer" [~~or "import broker"~~] means a person  
2 who ships, transports, or imports into this state cigarettes  
3 manufactured or produced outside the United States for the purpose  
4 of making a first sale in this state.

5           (11) "Individual package of cigarettes" means a  
6 package that contains at least 20 [~~not fewer than 10~~] cigarettes.

7           (12) "Manufacturer" means a person who manufactures,  
8 fabricates, or assembles cigarettes, or causes or arranges for the  
9 manufacture, fabrication, or assembly of cigarettes, for sale or  
10 distribution [~~and sells cigarettes to a distributor~~].

11           (14) "Permit holder" means a bonded agent,  
12 distributor, wholesaler, manufacturer, importer, export warehouse,  
13 or retailer who obtains [~~required to obtain~~] a permit under Section  
14 [154.101](#).

15           (15) "Place of business" means:

16                   (A) a commercial business location where  
17 cigarettes are sold;

18                   (B) a commercial business location where  
19 cigarettes are kept for sale or consumption or otherwise stored;  
20 [~~or~~]

21                   (C) a vehicle from which cigarettes are sold; or

22                   (D) a vending machine from which cigarettes are  
23 sold.

24           (17) "Retailer" means a person who engages in the  
25 business [~~practice~~] of selling cigarettes to consumers and includes  
26 the owner of a [~~coin-operated~~] cigarette vending machine.

27           (17-a) "Roll-your-own machine" means a machine for

1 commercial use at a retail premise that is capable of producing  
2 cigarettes only in quantities for personal use.

3 (18) "Stamp" includes only a stamp that:

4 (A) is printed, manufactured, or made by  
5 authority of the comptroller;

6 (B) shows payment of the tax imposed by this  
7 chapter; ~~and~~

8 (C) is consecutively numbered and uniquely  
9 identifiable as a Texas tax stamp; and

10 (D) is not damaged beyond recognition as a valid  
11 Texas tax stamp.

12 SECTION 2. Section 154.002, Tax Code, is amended to read as  
13 follows:

14 Sec. 154.002. STORAGE. (a) The commercial business  
15 location where cigarettes are stored or kept cannot be a residence  
16 or a unit in a public storage facility.

17 (b) For the purpose of Subsection (a), the vehicle of a  
18 manufacturer's representative is not a residence or public storage  
19 facility.

20 SECTION 3. Section 154.022, Tax Code, is amended to read as  
21 follows:

22 Sec. 154.022. TAX IMPOSED ON FIRST SALE OF CIGARETTES. The  
23 cigarette tax is imposed and becomes due and payable when a person  
24 ~~[in this state]~~ receives cigarettes to make a first sale.

25 SECTION 4. Subchapter B, Chapter 154, Tax Code, is amended  
26 by adding Section 154.0225 to read as follows:

27 Sec. 154.0225. LIABILITY OF PERMITTED DISTRIBUTOR. A

1 permitted distributor who makes a first sale to a permitted  
2 distributor in this state is liable for and shall pay the tax  
3 imposed by this chapter.

4 SECTION 5. Section 154.024(a), Tax Code, is amended to read  
5 as follows:

6 (a) A person who imports and personally transports 200 or  
7 fewer cigarettes into this state from another state or from an  
8 Indian reservation under the jurisdiction of the United States  
9 government is not required to pay the tax imposed by this chapter if  
10 the person uses the cigarettes and does not sell them or offer them  
11 for sale. A person who imports and personally transports 200 or  
12 fewer cigarettes into this state from a foreign country shall pay  
13 the tax imposed by this chapter and have affixed on each individual  
14 package of cigarettes a stamp to show payment of the tax.

15 SECTION 6. Section 154.060, Tax Code, is amended to read as  
16 follows:

17 Sec. 154.060. CANCELLATION. No person may cancel, mark,  
18 alter, or mutilate a stamp on a package of cigarettes so that the  
19 comptroller is prevented from or hindered in examining the  
20 genuineness of the stamp.

21 SECTION 7. Section 154.101, Tax Code, is amended by  
22 amending Subsections (a), (b), and (h) and adding Subsections (i)  
23 and (j) to read as follows:

24 (a) A person may not engage in business as a distributor,  
25 wholesaler, bonded agent, manufacturer, export warehouse,  
26 importer, or retailer unless the person has applied for and  
27 received the applicable permit from the comptroller.

1 (b) Each distributor, wholesaler, bonded agent,  
2 manufacturer, export warehouse, importer, or retailer shall obtain  
3 a permit for each place of business owned or operated by the  
4 distributor, wholesaler, bonded agent, manufacturer, export  
5 warehouse, importer, or retailer. The comptroller may not issue a  
6 permit for a place of business that is a residence or a unit in a  
7 public storage facility.

8 (h) Permits for engaging in business as a distributor,  
9 wholesaler, bonded agent, manufacturer, export warehouse,  
10 importer, or retailer shall be governed exclusively by the  
11 provisions of this code.

12 (i) This section does not apply to a research facility that  
13 possesses and uses cigarettes only for experimental purposes.

14 (j) A person engaged in the business of selling cigarettes  
15 for commercial purposes who provides a roll-your-own machine  
16 available for use by consumers must obtain manufacturer's,  
17 distributor's, and retailer's permits.

18 SECTION 8. Section 154.1015, Tax Code, is amended by  
19 amending Subsection (a) and adding Subsections (c), (d), (e), (f),  
20 (g), (h), and (i) to read as follows:

21 (a) Except for retail sales to consumers, cigarettes may  
22 only be sold or distributed by and between permit holders as  
23 provided by this section.

24 (c) A manufacturer outside this state who is not a permitted  
25 distributor may sell cigarettes only to a permitted distributor.

26 (d) A permitted distributor may sell cigarettes only to a  
27 permitted distributor, wholesaler, or retailer.

1       (e) A permitted importer may sell cigarettes only to a  
2 permitted distributor, wholesaler, or retailer.

3       (f) A permitted wholesaler may sell cigarettes only to a  
4 permitted distributor, wholesaler, or retailer.

5       (g) A permitted retailer may sell cigarettes only to the  
6 consumer and may purchase cigarettes only from a permitted  
7 distributor or wholesaler in this state.

8       (h) A permitted export warehouse may sell cigarettes only to  
9 persons authorized to sell or consume unstamped cigarettes outside  
10 the United States.

11       (i) A manufacturer's representative may sell cigarettes  
12 only to a permitted distributor, wholesaler, or retailer.

13       SECTION 9. Section 154.110(a), Tax Code, is amended to read  
14 as follows:

15       (a) The comptroller shall issue a permit to a distributor,  
16 wholesaler, bonded agent, manufacturer, export warehouse,  
17 importer, or retailer if the comptroller:

18               (1) has received an application and fee, if required;

19               (2) believes that the applicant has complied with  
20 Section 154.101; and

21               (3) determines that issuing the permit will not  
22 jeopardize the administration and enforcement of this chapter.

23       SECTION 10. Section 154.111, Tax Code, is amended by adding  
24 Subsections (c) and (g) to read as follows:

25       (c) A fee is not required for an export warehouse permit.

26       (g) A person issued a permit for a place of business that  
27 permanently closes before the permit expiration date is not

1 entitled to a refund of the permit fee.

2 SECTION 11. Section 154.201, Tax Code, is amended to read as  
3 follows:

4 Sec. 154.201. RECORD OF PURCHASE OR RECEIPT. Each  
5 distributor, wholesaler, bonded agent, and export warehouse shall  
6 keep records at each place of business of all cigarettes purchased  
7 or received, including records of those cigarettes for which no tax  
8 is due under federal law. Each retailer shall keep records at a  
9 single commercial business location, which the retailer shall  
10 designate as its principal place of business in this state, of all  
11 cigarettes purchased and received. These records must include:

12 (1) the name and address of the shipper or carrier and  
13 the mode of transportation;

14 (2) all shipping records or copies of records,  
15 including invoices, bills of lading, waybills, freight bills, and  
16 express receipts;

17 (3) the date and the name of the place of origin of the  
18 cigarette shipment;

19 (4) the date and the name of the place of arrival of  
20 the cigarette shipment;

21 (5) a statement of the number, kind, and price paid for  
22 cigarettes, including cigarettes in stamped and unstamped  
23 packages;

24 (6) the name, address, permit number, and tax  
25 identification number of the seller;

26 (7) in the case of a distributor, copies of the customs  
27 certificates required by 19 U.S.C. Section 1681a(c), as amended,

1 for all cigarettes imported into the United States to which the  
2 distributor has affixed a tax stamp; and

3 (8) any other information required by rules of the  
4 comptroller.

5 SECTION 12. Section 154.204(b), Tax Code, is amended to  
6 read as follows:

7 (b) A manufacturer who sells cigarettes to a permit holder  
8 in this state shall file with the comptroller, on or before the 25th  
9 ~~end~~ of each month, a report showing the information listed in  
10 Subsections (a)(1) ~~[Subdivisions (1)]~~, (2), (3), and (5) ~~[of~~  
11 ~~Subsection (a)]~~ for the previous month. Information related to the  
12 manufacturer's list prices must be submitted by the manufacturer 15  
13 days prior to any scheduled changes.

14 SECTION 13. Section 154.207(b), Tax Code, is amended to  
15 read as follows:

16 (b) The comptroller and the attorney general are entitled to  
17 access during regular business hours ~~[to]~~ all records pertaining to  
18 cigarettes that are transported.

19 SECTION 14. Section 154.208(a), Tax Code, is amended to  
20 read as follows:

21 (a) Each bonded agent shall keep, at each of the agent's  
22 places ~~[place]~~ of business in this state, records of all cigarettes  
23 received, distributed, and delivered.

24 SECTION 15. Subchapter F, Chapter 154, Tax Code, is amended  
25 by adding Section 154.2085 to read as follows:

26 Sec. 154.2085. EXPORT WAREHOUSE'S RECORDS. (a) Each export  
27 warehouse shall keep, at each of the warehouse's places of business

1 in this state, records of all cigarettes received, distributed, and  
2 delivered.

3 (b) The records must include:

4 (1) invoices for receipts and deliveries;

5 (2) orders for receipts and deliveries;

6 (3) shipping records for receipts and deliveries; and

7 (4) shipping records for distribution and delivery.

8 SECTION 16. Section 154.209(b), Tax Code, is amended to  
9 read as follows:

10 (b) If a permit holder's place of business is a vehicle or a  
11 vending machine, the permit holder shall designate in the  
12 application for a permit a permanent place of business to keep the  
13 records. The permit holder shall keep the records in the designated  
14 place.

15 SECTION 17. Sections 154.501(a), (b), and (d), Tax Code,  
16 are amended to read as follows:

17 (a) A person violates this chapter if the person:

18 (1) is a distributor, wholesaler, manufacturer,  
19 export warehouse, importer, bonded agent, manufacturer's  
20 representative, or retailer and fails to keep records required by  
21 this chapter;

22 (2) engages in the business of a bonded agent,  
23 distributor, wholesaler, manufacturer, export warehouse, importer,  
24 or retailer without a valid permit;

25 (3) is a distributor, wholesaler, manufacturer,  
26 export warehouse, importer, bonded agent, or retailer and fails to  
27 make a report or makes a false or incomplete report or application

1 required by this chapter to the comptroller; or

2 (4) is a person affected by this chapter and fails or  
3 refuses to abide by or violates a provision of this chapter or a  
4 rule adopted by the comptroller under this chapter.

5 (b) A person who violates this section [~~forfeits and~~] shall  
6 pay to the state a penalty of not more than \$2,000 for each  
7 violation.

8 (d) The attorney general shall bring a suit [~~suits~~] to  
9 recover penalties under this section.

10 SECTION 18. Section 154.502, Tax Code, is amended to read as  
11 follows:

12 Sec. 154.502. UNSTAMPED CIGARETTES. Except as provided by  
13 Section 154.026(b), a person commits an offense if the person:

- 14 (1) makes a first sale of unstamped cigarettes;  
15 (2) sells, offers for sale, or presents as a prize or  
16 gift unstamped cigarettes; or  
17 (3) knowingly consumes, uses, or smokes cigarettes  
18 subject to the tax [~~taxed~~] under this chapter without a stamp  
19 affixed to each individual package.

20 SECTION 19. Section 154.509, Tax Code, is amended to read as  
21 follows:

22 Sec. 154.509. PERMITS. A person commits an offense if the  
23 person acting:

- 24 (1) as a distributor, wholesaler, or retailer,  
25 receives or possesses cigarettes without having a valid permit;  
26 (2) as a distributor, wholesaler, or retailer,  
27 receives or possesses cigarettes without having a permit posted

1 where it can be easily seen by the public;

2 (3) as a distributor or wholesaler, does not deliver  
3 an invoice to the purchaser as required by Section 154.203;

4 (4) as a distributor, wholesaler, or retailer, sells  
5 cigarettes without having a valid permit; or

6 (5) as a bonded agent or export warehouse, stores,  
7 distributes, or delivers cigarettes in unstamped packages without  
8 having a valid permit.

9 SECTION 20. Section 154.520(a), Tax Code, is amended to  
10 read as follows:

11 (a) A person commits an offense if the person:

12 (1) prints, engraves, makes, duplicates, issues,  
13 sells, or circulates counterfeit stamps;

14 (2) possesses, with intent to use, sell, circulate, or  
15 pass, a counterfeit stamp;

16 (3) uses or consents to the use of a counterfeit stamp  
17 in the sale or offering for sale of cigarettes; or

18 (4) places or causes to be placed a counterfeit stamp  
19 on an individual package of cigarettes.

20 SECTION 21. The changes in law made by this Act to Sections  
21 154.502, 154.509, and 154.520, Tax Code, apply only to an offense  
22 committed on or after the effective date of this Act. An offense  
23 committed before the effective date of this Act is governed by the  
24 law in effect on the date the offense was committed, and the former  
25 law is continued in effect for that purpose. For purposes of this  
26 section, an offense was committed before the effective date of this  
27 Act if any element of the offense occurred before that date.

1           SECTION 22. The changes in law made by this Act do not  
2 affect tax liability accruing before the effective date of this  
3 Act. That liability continues in effect as if this Act had not been  
4 enacted, and the former law is continued in effect for the  
5 collection of taxes due and for civil and criminal enforcement of  
6 the liability for those taxes.

7           SECTION 23. This Act takes effect September 1, 2019.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 4614 was passed by the House on May 3, 2019, by the following vote: Yeas 131, Nays 9, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 4614 on May 23, 2019, by the following vote: Yeas 116, Nays 19, 2 present, not voting.

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Chief Clerk of the House

I certify that H.B. No. 4614 was passed by the Senate, with amendments, on May 16, 2019, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor